

1 DONALD H. CRAM, III (State Bar No. 160004)  
2 DUANE M. GECK (State Bar No. 114823)  
3 SEVERSON & WERSON  
4 A Professional Corporation  
5 One Embarcadero Center, Suite 2600  
6 San Francisco, CA 94111  
7 Telephone: (415) 398-3344  
8 Facsimile: (415) 956-0439  
9  
10 Attorneys for Appellant  
11 WELLS FARGO FINANCIAL ACCEPTANCE

UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

In connection with the appeal from the U.S. Bankruptcy Court for the Northern District of California’s Order filed May 18, 2007, and pursuant to 28 U.S.C. §158(d)(2), Appellant, WELLS FARGO FINANCIAL ACCEPTANCE (“Wells Fargo”), and Appellee, LETICIA ACAYA (“Acaya”), jointly request that the Court certify this appeal directly to the Ninth Circuit Court of Appeals respectfully showing the Court as follows:

1. The Order from which Wells Fargo appeals involves a question of law

1 as to which there is no controlling decision of the Ninth Circuit Court  
2 of Appeals or of the Supreme Court of the United States.

3 2. The Order from which Wells Fargo appeals involves a question of law  
4 requiring a resolution of conflicting decisions.

5 3. An immediate appeal from the Order from which Wells Fargo appeals  
6 will materially advance the progress of the underlying Chapter 13  
7 case.

8 **No Controlling Authority Over The Novel And Frequently Arising Question**

9 The issues presented in this appeal surround the interpretation of the hanging  
10 paragraph of 11 U.S.C. §1325 in the context of an objection to confirmation of the  
11 debtor Chapter 13 Plan and involve novel questions of first impression for which  
12 there is no controlling U.S. Supreme Court or Ninth Circuit authority. The  
13 financing agreement that enabled the debtor to acquire an automobile included a  
14 negative equity component from the trade-in vehicle, a common feature of  
15 automobile financing. The issues surround the character of the transaction as a  
16 “purchase money” transaction subject to the non-cramdown provisions of §1325.  
17 The specific issues presented on appeal are:

18 1. Whether the Bankruptcy Court erred in relying upon the California  
19 Commercial Code’s definition of “purchase money” in determining  
20 whether Wells Fargo had a purchase money security interest as  
21 Congress used that phrase in §1325 of the Bankruptcy Code?

22 2. Whether Wells Fargo has a purchase money security interest as  
23 Congress used that phrase in §1325 of the Bankruptcy Code thus  
24 preventing the use of Chapter 13 to strip down its lien?

25 3. Whether Wells Fargo has a purchase money security interest as that  
26 term is used in California statutes?

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1 Certification of the appeal directly to the Ninth Circuit would foster certainty and  
 2 clarity on these issues in this circuit and assist in resolving conflicting decisions on  
 3 these issues.

4 **Resolving Conflicting Decisions**

5 Within the Ninth Circuit and certainly across the nation, District Court and  
 6 Bankruptcy Court opinions have widely divergent outcomes on these issues. The  
 7 Court opinions have fallen into one of three camps: 1) the financing of the  
 8 negative trade-in does not change the purchase money security interest status of the  
 9 transaction; 2) the financing of the negative trade-in transforms the purchase  
 10 money status of the transaction to a nonpurchase money transaction  
 11 (“transformation rule”); and 3) the negative trade-in balance financed does not  
 12 achieve purchase money status, however the amount financed for the purchase of  
 13 the new vehicle retains its purchase money status (“dual status rule”).

14 Within this circuit, one need only compare the Bankruptcy Court’s decision  
 15 in this appeal, *In re Acaya*, 2007 WL 1492475 (Bankr. N.D. Cal. May 18, 2007)  
 16 (applying the dual status rule), with the ruling from the Bankruptcy Court in the  
 17 Eastern District of California in *In re Cohrs*, Case No. 07-21431-A-13G (Bankr.  
 18 E.D. Cal. June 25, 2007) (purchase money) (copy attached as “Exhibit A”).

19 On a national level, there are a variety of divergent opinions issued by the  
 20 District Courts and Bankruptcy Courts (See *In re Graupner*, 2007 WL 1858291  
 21 (M.D. Ga. June 26, 2007) (purchase money); *CitiFinancial Auto v. Hernandez-*  
 22 *Simpson*, 2007 WL 1464258 (D. Kan. May 17, 2007) (purchase money); *In re*  
 23 *Petrocci*, 2007 WL 1813217 (Bankr. N.D.N.Y. June 20, 2007) (purchase money);  
 24 *In re Peaslee*, 358 B.R. 545 (Bankr. W.D.N.Y. 2006) (transformation); *In re Price*,  
 25 363 B.R. 734 (Bankr. E.D.N.C. 2007) (transformation); *In re Westfall*, 2007 WL  
 26 981730 (Bankr. N.D. Ohio March 30, 2007) (transformation); *In re Bray*, 2007 WL  
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1 1095435 (Bankr. W.D. Tenn. April 11, 2007) (transformation); *In re Vega*, 344  
2 B.R. 616 (Bankr. D. Kan. 2006) (dual status)). There is currently no circuit Court  
3 opinion on the issue.

4 Certification of the appeal directly to the Ninth Circuit will promote a timely  
5 circuit court opinion on these issues which will only benefit the courts in this  
6 circuit and nationally.

7 **Advancing The Progress Of The Underlying Chapter 13 Case**

8 A direct appeal to the Ninth Circuit will advance the progress of the  
9 underlying Chapter 13 case by eliminating the time and cost associated with  
10 another layer of appeal. In the underlying Chapter 13 Case a Chapter 13 Plan  
11 cannot be confirmed until these issues are resolved. The debtor's fresh start and  
12 creditors' ability to receive distribution under the terms of the Plan have been  
13 placed on hold until all appeals are exhausted. Certification of the appeal directly  
14 to the Ninth Circuit will hasten the appeal process.

15 Wherefore, for the reasons set forth above, Wells Fargo and Acaya  
16 respectfully requests that the Court certify this appeal directly to the Ninth Circuit  
17 Court of Appeals as required by 28 U.S.C. §158(d)(2)(B).

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1 DATED: July 13, 2007

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SEVERSON & WERSON  
A Professional Corporation

By: /s/ Donald H. Cram, III  
Donald H. Cram, III

Attorneys for Appellant  
WELLS FARGO FINANCIAL  
ACCEPTANCE

DATED: July 13, 2007

LAW OFFICES OF RODNEY M.  
KLEMAN

By: /s/ Shian MacLean  
Shian MacLean

Attorneys for Appellee  
LETICIA I. ACAYA